

Audit Committee

25th September 2023



Report of: Chief Internal Auditor

Title: Internal Audit Activity Report

Ward: Citywide

Officer Presenting Report: Chief Internal Auditor

Recommendations

The Audit Committee notes the Internal Audit Activity Report for the period 1 April 2023 up to 10 September 2023 and receives assurance on actions being taken to complete the agreed priorities for the first half year of this financial year.

The Audit Committee notes the internal audit summary reports and takes assurance from management regarding the issues highlighted in the reports.

Summary

This report seeks to provide the Committee with a high-level update on internal audit activities since the last meeting. The report also provides the Committee with summary reports in respect of two areas for which internal audit work has recently been completed. The summary reports are provided in line with routine reporting protocols where a 'limited assurance' opinion is concluded.

The significant issues in the report are:

- The completion of the approved audit plan is progressing well, and satisfactory progress is being made in the implementation, monitoring and reporting of agreed management actions. The key outputs from the period under review include finalisation of work carried forward from 2022/23 and certification of a high number of grants. The status of planned audit work is shown in Appendix 1.
- There are two summary reports in respect of the areas where limited assurance was given. These relate to Agency Staff at Appendix 2 and Debt Management at Appendix 3.
- The Fraud team continued to prioritise whistleblowing referrals and fraud prevention activities including the implementation and use of the NFI Fraud Hub.

Policy

1. Audit Committee Terms of Reference

Consultation

2. **Internal**

Corporate Leadership Board including S151 Officer, Cabinet Member for Governance, Resources and Finance.

3. **External**

Not applicable

Context

4. The role of the Internal Audit function is to provide Members and Management with independent assurance that the control, risk, and governance framework in place within the Council is effective and supports the Council in the achievement of its objectives. The work of the Internal Audit team should be targeted towards those areas within the Council that are most at risk of impacting on the Council's ability to achieve its objectives. In addition, the team provide a Counter Fraud Service to the Council to enhance arrangements for the prevention, detection, and investigation of fraud.
5. This report provides an update on internal audit matters. The Committee will receive a comprehensive half year report in November which will provide the Committee and Management with an update on the progress in delivering the approved 2023/24 Audit Plan. This update covers the period of 1st April to 10 September 2023 building on the information which has been provided to Committee at its previous meetings in this financial year.

Internal Audit Delivery

6. Internal Audit is making reasonable progress in the completion of the agreed audit priorities in 2023/24. As at the beginning of September 2023, all audit work carried forward from the previous year had been completed and effort is now focussed on completing the approved plan. Appendix 1 provides an update on all audits that have been completed or are in progress as of 10 September 2023. Given the timing of this report most of the audits will be completed to draft stage at end of Q2. At the time of reporting there were appropriate mitigating actions to address any risks associated with the delivery of the agreed assurance priorities.
7. In considering this update, the Committee should note that consistent with the reporting cycle an Internal Audit Half Year Report will be presented in November 2023. This report will provide another update on the completion of the approved 2023/24 as well as setting out the status and assurance opinion for each of the planned reviews.

The following paragraphs provides a summary of some of the key outcomes or activities delivered during the period under review.

Grant Certifications

8. A significant amount of audit time was spent on grant certification work where 30 grants with a total value of £19m were certified. Appendix 1 provides a list of all grants certified during the period. Whilst there were no compliance issues noted, in some cases Internal Audit received instructions very close to the reporting deadline creating resourcing challenges for the team. Internal Audit working proactively with management has seen some improvements in the last few months.

Schools Audits

9. Work relating to schools' 2022/23 audits has been completed. Any internal control, governance or risk issues identified during the audits were discussed with schools' authorities ensuring that appropriate actions were being taken to improve the schools' control environment. In relation to 2023/24, a risk assessment has been completed which has enabled the identification of 11 schools that will be audited this year.

Continuous auditing and continuous monitoring

10. Work is ongoing in implementing continuous assurance and monitoring methodologies in audit and fraud processes. With the support of KPMG, an operational strategy is being developed and work is ongoing to identify the key systems where regular automatic runs will be done. The increased use of analytic tools will increase audit efficiencies as well as enabling management to continually review business processes for adherence to and deviations from intended levels of performance and effectiveness.

Embedded Assurance

11. Consistent with the agreed priorities, Internal Audit is supporting the key projects and programmes through embedded assurance which sees the team working with programme and project teams to provide real time assurances as the programmes progress. This means governance and programme assurances are timely to enable necessary corrective actions as the project progresses. This should better support delivery of outcomes. As this engagement is largely advisory no assurance opinion is given but formal reports may be issued to highlight significant issues impacting the programme.

Review of Internal Audit Priorities

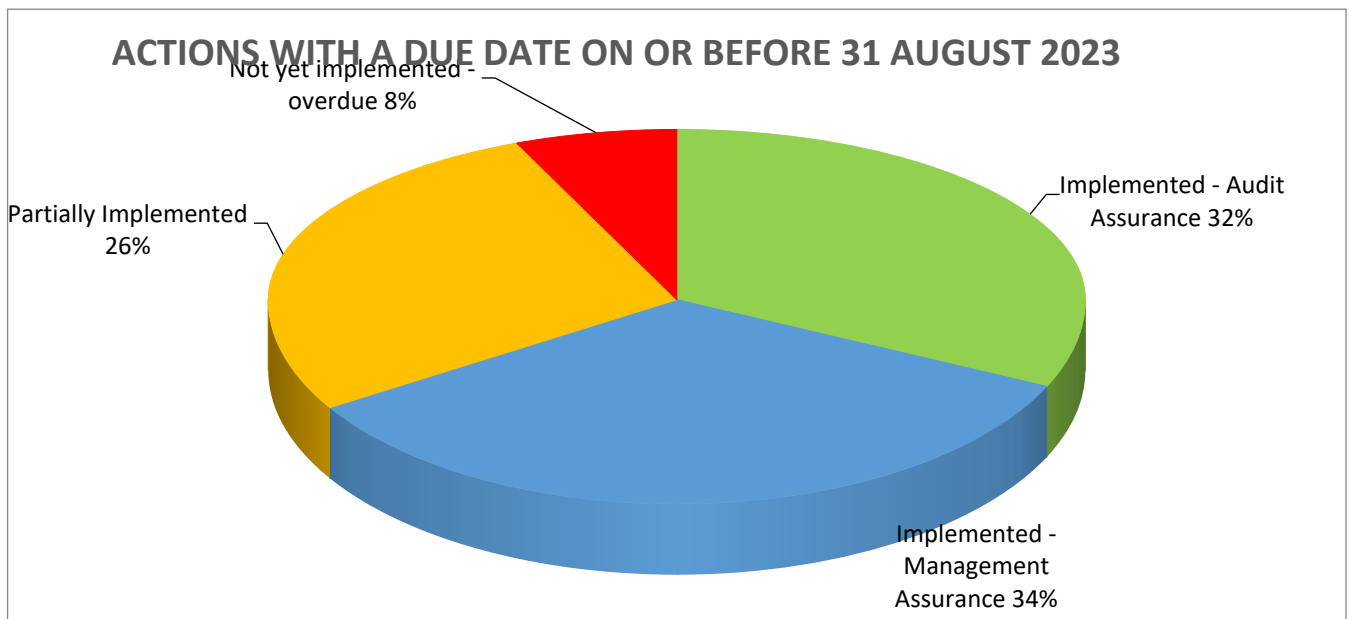
12. Consistent with the rolling plan methodology, internal audit priorities are agreed with the Committee on a quarterly basis. A separate report on Q3 priorities will be discussed as part of this meeting.

Implementation of Agreed Management Actions

13. The Council uses the Pentana Audit Management Module as the tool for monitoring and reporting the implementation of agreed management actions. In this respect, management is responsible for implementing agreed actions whilst Internal Audit is responsible for regularly reviewing the entries by management and seeking additional evidence if required before closing the actions as completed. There is a target that 90% of agreed actions should be implemented by

the due date.

14. Internal Audit established that there were 319 agreed management actions that were due for implementation by 31 August 2023. As reflected by the pie chart below 92% of the actions were either implemented or partially implemented. This performance is slightly above the 90% target, and this reflects the impact of the new monitoring and reporting arrangements. Internal Audit are supporting management in reviewing all partially implemented actions ensuring that these are fully implemented and closed. The next report will give a clearer picture in terms of the progress being made in that respect. The increased scrutiny and oversight the regular reporting of outstanding actions at both Executive Director Meetings and Corporate Leadership Board meetings should be maintained to sustain this good performance.



Fraud

The Committee will receive the half year fraud report in the November meeting. However, during the period under review the focus was in the following areas:

- Developing an operational fraud prevention strategy
- Working collaboratively with Services to undertake fraud risk assessments
- Reviewing output from the National Fraud Initiative exercise
- Undertaking regular data matches through the fraud hub
- Managing whistleblowing arrangements and investigating allegations of fraud and corruption .

Internal Audit Exception Reporting

15. Under the agreed escalation procedure, the summaries of every audit with a no or limited assurance opinion are presented to the Audit Committee for consideration. The Committee may

seek additional assurances on the actions being taken to address the issues identified. Consistent with this procedure the Agency Staff and Debt Management summaries are presented at Appendices 2 and 3 for consideration and the relevant senior responsible officers will be in attendance to answer any questions the Committee may have.

16. It is recognised that the Council continues to face significant risks arising from the pandemic and the cost-of-living crisis. Internal audit will continue to engage with management regularly to ensure that assurance activities align with the Council's priorities and risks.

Audit Committee Briefing

17. In compliance with the Committee's previous request, a virtual private briefing on Procurement Breaches was held on Tuesday 12 September 2023.

Proposal

18. The Audit Committee note the Internal Audit Activity Report and takes assurance from management regarding the issues highlighted in the report.

Other Options Considered

19. Not applicable

Risk Assessment

20. The work of Internal Audit minimises the risk of failures in the Council's internal control, risk management and governance arrangements, reduces fraud and other losses and increases the potential for prevention and detection of such issues. Areas of significant risk are detailed in the report.

Summary of Equalities Impact of the Proposed Decision

No Equality Impact anticipated from this report.

Legal and Resource Implications

Legal - Not Applicable

Financial - Not Applicable

Land - Not Applicable

Personnel - Not Applicable

Appendices:

- **Appendix 1** – Schedule of Internal Audit Work
- **Appendix 2** – Agency Staff Internal Audit Review Summary

- **Appendix 3** – Debt Management Internal Audit Review Summary

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

Public Sector Internal Audit Standards

Various Audit Files